

Message Text

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PAGE 01 SANTIA 03266 072318Z

21

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 INT-08

CU-04 DRC-01 /190 W

----- 076811

R 072232Z JUN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8909

INFO AMEMBASSY ASUNCION

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY MONTEVIDEO

AMEMBASSY QUITO

AMCONSUL RIO DE JANEIRO

LIMITED OFFICIAL USE SANTIAGO 3266

EO 11652: N/A

TAGS: EFIN, ECON, CI

SUBJ: GOC ORDERS DRASTIC REDUCTION PUBLIC SECTOR SPENDING
AND EMPLOYMENT

REF: SANTIAGO 3192

1. SUMMARY: GOC HAS ISSUED DIRECTIVE CUTTING BACK BOTH
EXPENDITURES AND PERSONNEL OF GOVERNMENT AGENCIES AND STATE
ENTERPRISES. MEASURES EXPECTED TO ADD TO UNEMPLOYMENT, BUT
SHOWS GOC DETERMINATION TO FIGHT INFLATION. END SUMMARY
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2. IMPLEMENTING DECISIONS TAKEN LAST WEEK (REFTEL), JUNTA PRESIDENT AUGUSTO PINOCHET ISSUED A DIRECTIVE ON JUNE 6 TO ALL MINISTERS, CHIEFS OF AUTONOMOUS AGENCIES AND HEADS OF GOVERNMENT ENTERPRISES (INCLUDING MUNICIPALITIES AND UNIVERSITIES) ORDERING CUTBACK IN EACH OF NOT LESS THAN 15 PERCENT BELOW PREVIOUSLY AUTHORIZED BUDGET LEVELS. MINISTRIES AND AGENCIES ARE TO REALLOCATE RESOURCES CONSISTENT WITH MAINTENANCE OF MINIMUM OPERATIONS. FOR EXISTING PROJECTS, PRIORITY WILL GO TO THOSE WHICH CAN BE MADE MOST LABOR INTENSIVE. ALL NEW WORKS OR CONTRACTS OBLIGATING EXPENDITURES NOW BANNED UNLESS GRANTED EXPRESS APPROVAL FINANCE MINISTRY.

3. DIRECTIVE REQUIRES THAT BY DECEMBER 3, 1975, NUMBER OF PUBLIC EMPLOYEES BE REDUCED 20 PERCENT FROM LEVEL EXISTING MAY 31, 1974. AS INTERIM MEASURE, EACH GOVERNMENT UNIT MUST CUT BACK STAFF BY NUMBER OF PERSONS HIRED SINCE SEPTEMBER 11 CHANGE IN GOVERNMENT. DIRECTIVE REQUIRES EFFORTS BE MADE TO RELOCATE DISMISSED PERSONNEL.

4. COMMENT: EMBASSY UNDERSTANDS THIS INTERIM MEASURE WOULD MEAN ABOUT 19,000 PERSONS WOULD LOSE JOBS. REDUCTION IN PUBLIC SECTOR EMPLOYMENT EFFECTED THROUGH CORFO'S DIVESTITURE PART ITS ASSETS WILL NOT RPT NOT BE COUNTED AGAINST REDUCTION QUOTA. END COMMENT.

5. AFTER 1976 UNIVERSITIES AND DEPENDENT ORGANIZATIONS SUCH AS TV CHANNELS MUST BE SELF-FINANCING. ARRANGEMENTS WILL BE MADE TO PERMIT STUDENTS TO FINANCE EDUCATION AND SOME GOC SCHOLARSHIPS WILL BE MADE AVAILABLE.

6. TECHNICAL COMMISSIONS WILL SUBMIT REPORTS IN 60 DAYS SPECIFYING WHICH STATE ENTERPRISES WILL REMAIN UNDER STATE CONTROL AND INDICATING ALTERNATE FORMS OF ORGANIZATION. MINIMUM NUMBER OF STATE-OWNED VEHICLES WILL BE RETAINED; REMAINDER WILL BE SOLD ON FAVORABLE TERMS TO THOSE LOSING JOBS WITH INTENTION THEY BE USED AS TAXIS OR FOR OTHER PRIVATE SECTOR BUSINESS PURPOSES. ALL MINISTRIES, STATE AGENCIES AND ENTERPRISES UNDER THE GUN TO CUT COSTS; SPECIAL ORGANIZATION WILL BE CREATED TO OVERSEE PUBLIC EXPENDITURES RATIONALIZATION PROGRAM.

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7. SEPARATE ANNOUNCEMENT BY THE BUDGET DIRECTOR STATES LAW WILL BE PROMULGATED TO ASSURE MINIMUM INCOMES TO THOSE UNABLE TO FIND EMPLOYMENT. PROVISIONS THIS LAW NOT YET CLARIFIED.

8. COMMENT: EMBASSY UNDERSTANDS THAT MILITARY, NOW MODERNIZING AND EXPANDING, ARE EXCLUDED FROM THE PROVISIONS OF THESE REGULATIONS. IF PROGRAMMED PERSONNEL CUTS IN REST OF PUBLIC SECTOR MADE, IT IS UNLIKELY PRIVATE SECTOR WILL BE

ABLE TO ABSORB THEM FOR SOME TIME. JUNTA PROBABLY KNOWS THIS.
DECISION TO BITE BULLET SO HARD IS ELOQUENT TESTIMONY TO
SERIOUSNESS GOC DECISION TO COMBAT INFLATION.
THOMPSON

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